

GLOSSARY OF

Budget Terms

Allocable Revenue ? Revenue earned, collected, and used by the agency responsible for generating the revenue.

Appropriated Revenue ? Revenue collected by an agency on behalf of the District Treasury; such revenue is used to support the operations of all agencies.

Appropriation Group – The nine broad areas that the District categorizes services to the citizens of Washington D.C. they include Governmental Direction and Support, Economic Development and Regulation, Public Safety and Justice, Public Education System, Human Support Services, Public Works, Receivership Programs, Financing and Other, and Enterprise Other Funds.

Amendment ? A proposed change to a budget that is not yet finally approved, but has been formally submitted by the executive to the legislative branch.

Annualization ? A budget increase to provide full-year budget authority for a budgetary item that was only partially funded in the prior-year budget.

Appropriation ? Authority to spend funds appropriated by Congress and financed by general District Revenues.

Attrition ? Voluntary employment losses, such as retirements and resignations.

Bonds ? Officially called *debt securities*, *bonds* provide ways for governments to raise large sums of money by borrowing. Bonds usually have a principle amount and a contract interest rate. The principle can be paid at maturity while the interest is generally paid semi-annually as a percent of the principle. For example, a govern-

ment could see \$10,000,000 in bonds with a 5% interest rate. If the bonds matured in five years, then the \$10,000,000 would have to be paid to the bondholder. During that period, \$500,000 would have to be paid in interest each year or \$250,000 semi- annually. These bonds would be called *term bonds*, since they are due at a fixed point in time. *Serial bonds* come due at different points in time.

Bond Rating -- A bond rating is an independent assessment of the creditworthiness of a bond (note or any security of indebtedness) by a credit rating agency. The three primary rating agencies are Standard & Poor's (S & P), Moody's Investor Services (Moody's), and Fitch ICBA, Inc. (Fitch ICBA). Bond ratings measure the probability of the timely repayment of principal and interest of a bond. Generally, a higher credit rating would lead to a more favorable effect on the marketability of a bond. The credit rating symbols (long-term) are generally assigned with the highest and the lowest in investment grade. The table below denotes the bond rating codes of the various rating agencies.

Rating	S & P	Moody's	Fitch ICBA
Best Quality; extremely strong capacity to pay principal and interest	AAA	Aaa	AAA
High Quality; very strong capacity to pay principal and interest	AA	Aa	AA
Upper Medium Quality; strong capacity to pay principal and interest	A	A	A
Medium Grade; adequate capacity to pay principal and interest	BBB	Baa	BBB
Somewhat Speculative;	BB	Ba	BB
Low Grade, Speculative	B	B	B
Low Grade, Partial Recov-	CCC	Caa	CCC

ery Possible			
Low Grade, Default Recov- ery Possible	CC	Ca	CC
Recovery Unlikely	C	C	C

Budget Authority ? Authority provided by law to enter into obligations that will result in expenditures. It may be classified by the period of availability (one-year, multiple-year, no-year), by the timing of congressional action (current or permanent), or by the manner of determining the amount available (definite or indefinite).

Budget Category ? An operating budget expenditure classification: either personal services (PS) or nonpersonal services (NPS).

Budget Establishment ? The period immediately preceding the beginning of the budget fiscal year during which final revenue budgets, intra-District budgets, and expenditure budgets are prepared and entered into the formal accounting records of the District.

Budget Modification ? A change in any portion of the budget during the fiscal year.

Budget – A plan of Financial and Operational intent embodying an estimate of proposed expenditures for a given period and proposed means of financing.

Budget Preparation ? The budget planning and development process from the initial budget call, up to and including final approval by Congress.

Budget Reserve ? Funds that are earmarked for special purposes to protect the District against shortfalls in revenue and unforeseen expenditures.

Capital Improvements Program ? A plan for initiating the development, modernization, or replacement of District-owned facilities during a six-year period. As annually revised, this plan provides the basis for future-year capital budget requests.

CAFR – State and Local governments issue an annual financial report called the Comprehensive Annual Financial Report (CAFR, pronounced *cay-fer*). The CAFR has three parts: (1) an introductory section, (2) a financial section, and (3) a

statistical section. Some but not all of what goes into the CAFR is shaped by the Governmental Accounting Standards Board (GASB) which is the current authoritative source for governmental Generally Accepted Accounting Principles (GAAP). The groups that use the CAFR most extensively and rely on it heavily consist of the agencies that rate state and local governments for purposes of sale of bonds. Institutions that buy and sell these bonds would also be among the users of the CAFR. Moody's, Fitch ICBA, and Standard and Poor are among the best known rating agencies. The people who rate or buy and sell these bonds are among the most capable of reading, analyzing, and interpreting the CAFR.

Continuing Full-Time (CFT) Positions ? Full-time positions that the District has authority to fill under its congressional appropriation. Although these are "authorized" positions, some CFT positions may not be filled because of funding constraints.

Control Center ? The basic unit of budgetary and financial control in the District's financial management system. Each District agency is composed of one or more control centers that serve as the major subparts of the agency's budget.

Current Services Budget ? An estimate of the funds needed to continue existing levels of service in the next fiscal year.

Certificates of Participation (COP) – Inatypical lease purchase arrangement, the District as lessee purchases property under contract from lessor, usually a private corporation, another public entity or a special purpose nonprofit corporation. The lessor receives a portion of each lease payment as tax – exempt interest. One common way of financing this is the Certificate of Participation (COP) where the lessor assigns the lease and lease payments to a trustee. The lease underlying the COP will usually state the obligation (GO) bond of the District.

Community Development Block Grant (CDBG) – The federal grant that supports housing, economic development, health and human services, and planning and administration.

Comprehensive Automated Personnel and Payroll System (CAPPS) – The name of the automated payroll system used by the District.

Consolidated Plan – The U.S. Department of Housing and Urban Development requires a single or consolidated plan and submission for the following federal grant programs: Community Development Block Grant, HOME Investments Partnerships Program, Emergency Shelter Grants (ESG), and the Housing Opportunities for Persons with AIDS (HOPWA) grant.

Chart of Accounts – A chart of expenditure and revenue accounts used to record each type of financial transaction incurred by District agencies.

Component Unit – Legally separate organizations for which elected officials of the District are financially accountable. Accountability exists because some or all of the governing bodies of all the component units are appointed by the Mayor with the consent of the Council. All component units use proprietary fund type accounting.

Debt Service – Scheduled payment of the interest and principal to bond holders that is necessary to retire bond indebtedness.

Emergency Shelter (ESG) – Federal grants to provide capital and operating support for emergency shelters and transitional housing for the homeless.

Encumbrance ? An amount of funds committed for the payment of goods and services ordered but not yet received.

Energy, Rent, and Communications ? The name of the object class used to allocate funds for those needs.

Enterprise Funds ? Budget and accounting units created for particular purposes, such as water and sewer or other self-sustaining operations, to separate the revenue and financial control of such operations from the District's General Fund.

Expenditure ? A payment for goods or services received.

Equipment and Equipment Rental ? The name of the object class used to allocate funds for such needs.

Entitlement – A service or grant that, under District or Federal law, must be provided to all applicants.

Federal Funds ? Funding (usually in the form of federal grants) provided by the federal government to support various federally established programs such as Medicaid and welfare. These funds are earmarked for a particular purpose or program and cannot be re-allocated to fund other programs.

Fringe Benefits ? Part of overall employee compensation, including life and health insurance and retirement and social security contributions.

Full-Time Equivalent (FTE) ? An employment indicator that translates the total number of hours worked in a year by all employees, including part-time workers, to an equivalent number of work years. For example, 1 FTE equals 2,080 hours and .75 FTE equals 1,566 hours.

Fund ? A budgeting and accounting device used to establish accounts for separating revenues and their related obligations, and expenditures for one purpose from those revenues, obligations, and expenditures for other purposes.

Fund Accounting – Accounting method of providing information on the District of Columbia receipts and disbursements in separate categories or “funds”. Governments use fund accounting to segregate sources of revenue and the purpose for which they are to be used.

Fund Balance ? The *annual* fund balance is the difference between expenditures and revenue in a given year and the *accumulated* fund balance is the sum of previous annual fund balances.

Generally Accepted Accounting Principles (GAAP) – Uniform minimum standard of guidelines for financial accounting and reporting that the District follows. They govern the form and content of an entity's (public, private, non-profit) basic financial statements. GAAP encompasses the conventions, rules and procedures necessary to define accounting practices at a particular time.

General Fund – This Fund accounts for the current assets, current liabilities, revenues, and ex-

penditures that arise from the general government operations. The main revenue sources of this fund are taxes and other income.

GASB -- the Governmental Accounting Standards Board (GASB) is a private non-profit body responsible for establishing and improving accounting and financial reporting standards for more than 84,000 governmental units in the United States. Although they do not have the force of law, governments are required to follow GASB standards in order to obtain clean opinions from their auditors and failure to comply with GASB standards can adversely affect a state or local government's attempts to issue bonds.

GFOA -- The Government Finance Officers Association of the United States and Canada is the premier association of public-sector finance professionals and is dedicated to providing high-quality support to state and local governments. The GFOA's two established criteria for financial excellence include: (1) the "Distinguished Budget Presentation Award" (Budget Program) conferred on governments whose budgets are deemed exemplary as a policy document, financial guide, operations guide, and communication device; (2) "Certificate of Achievement for Excellence in Financial Reporting" (CAFR Program) for governments whose CAFRs achieve the highest standards in financial reporting.

GPRA -- Government Performance and Results Act. Legislation that requires the establishment of a direct relationship between the use of federal funds and the delivery of services by federal agencies. Many federal grants require GPRA performance measures as part of the reporting process.

General Fund Deficit ? In the District, an amount representing unfunded expenditures and obligations accumulated primarily in years prior to Home Rule.

General Obligation Bonds ? Bonds sold by a municipal government to private investors to provide long-term financing for capital project needs. Repayment of the principal and interest is made from General Fund revenue.

Grant -- Contributions of assets (usually cash) by one government unit to another government unit

or organization. Typically, these contributions are made to Local governments from State and Federal governments for specified purposes.

Gross Budget--A total budget amount that includes resources from all funding sources.

HOME -- HOME Investment Partnerships Program. A federal grant program to provide housing for low-income persons.

Infrastructure -- Long-lived assets such as highways, bridges, buildings and public utilities.

Indirect Costs--Administrative overhead costs incurred by the District in managing grant programs.

Inflation -- An increase in general price of goods or services resulting in a decline in the purchasing power of currently available money.

Interest Accrual -- The amount of interest owed on borrowings but not to be paid until a later date.

Intra-District -- An accounting mechanism used to track payments for services provided by one District agency to another District agency, similar to an Internal Service Fund.

Local Funds -- Includes tax and non-tax revenue that is not earmarked for a particular purposes and is allocated to fund District programs during the annual budget process, similar to a General Fund.

Mission -- The purpose and reason for the existence of an agency.

Match--A locally provided cash or in-kind services contribution required to supplement or equal a grant or gift as a condition for receiving the funds.

Mandate -- Any responsibility, action or procedure that is imposed by one government on another through constitutional, legislative, administrative, executive, or judicial action as a direct order, or that is required as a condition of aid.

NAICS -- The North American Industry Classification System (NAICS, pronounced nakes)) will replace separate classification systems with one uniform system for classifying industries in the

US, Canada, and Mexico. In the United States, NAICS will replace the Standard Industrial Classification (SIC), a system that Federal, State, and local governments, the business community, and the public have used since the 1930s. NAICS, a flexible system that will take into account changes in the global economy, will help to support more informed economic and trade policies, more profitable business decisions, and more cogent public discussion and debate. The three countries plan to update the system every five years.

Nonpersonal Services (NPS) – A budget category that includes budget objects for reporting other than personnel-related expenditures. Nonpersonal services includes supplies, utilities, communications and rent, other services and charges, subsidies and transfers, equipment and equipment rental, and debt service.

Nonrecurring Expenditures -- One-time expenditures for special items, such as a new fire truck or a computer system, that do not need to be budgeted for again in the year following their purchase.

Object Class--A budgetary classification that breaks down the general budget categories of personal services and nonpersonal services into more specific types of expenditure, such as Fringe Benefits (Object Class 14) or Supplies (Object Class 20).

Objectives – Measurable activities of a program that are sought to achieve the overall mission.

Operating Budget – The budget that encompasses the day – to – day District activities. The operating budget includes employee salaries, supplies, and other non-personnel items related to current activities. The operating budget also includes debt services and overhead costs for these operations.

Obligations--The amount of expenditure already made as well as the cost of commitments requiring future payments.

Occupational Classification Codes (OCCs) ? Classification system used to identify employees by function. The eight major OCCs are based on the following job descriptions:

- ?? *Officials and Administrators* - Employees make broad policies; exercise responsibility for the implementation of these policies; or, direct individual departments or special phases of an agency's operations; or, provide specialized consultation on a regional, district or area wide basis;
- ?? *Professionals* - Employees must have specialized and theoretical knowledge usually acquired through college training, job experience, or other comparative training;
- ?? *Technicians* - Employees must have a combination of basic scientific or technical knowledge and manual skills obtained through specialized post-secondary school education or equivalent on-the-job training;
- ?? *Protective Service Workers* - Employees perform public safety, security, and "protection from destructive forces" duties;
- ?? *Paraprofessionals* - Employees perform some professional or technician duties but only in a supportive role. Assignments usually require less formal training and/or experience than required of professional or technical employees;
- ?? *Office and Clerical* - Employees must communicate within and outside their office setting, in addition to recording and retrieving information;
- ?? *Skilled Craft Workers* - Employees perform work which requires special manual skills gained from on-the-job training, apprenticeship, or formal training programs; and
- ?? *Service and Maintenance* - Employees perform duties related to the comfort, convenience, hygiene or safety of the public; or, maintain buildings, facilities or grounds of public property. Workers in this group may operate machines.

Other Services and Charges ? The name of the object class primarily used to allocate funds for contractual services.

Program – A group of similar activities, or type of service, that is organized as a sub-unit of an agency for accounting, budgeting, planning and performance measurement purposes.

Personal Services (PS) ? A budget category that includes budget objects for reporting personnel-related expenditures. Personal Services includes Regular Pay, Other Pay, Additional Gross Pay, and Fringe Benefits.

Performance Budgeting – A budget process that uses strategic plans and performance measures to distribute available financial resources. Measurable outcomes gauge the ultimate effect of programs on the problems or conditions they are intended to effect. Output measures compare input to output. Effectiveness measures compare the intended outcomes with efficiency metrics.

Proprietary Fund – Fund category that often emulates the private sections and focuses on the measurement of net income. Expenditures are funded by user charges and fees represented as enterprise funds in the CAFR.

Private/Other ? Funding from other sources including private grants and charges for services that are retained by the agency to cover the cost associated with the service provided.

Real (Constant) Dollars ? The value of current-year dollars adjusted to account for inflation.

Redirections ? The permanent shift of funds or positions within an agency.

Regular Pay ? Salary and wages for all continuing full-time employees.

Reprogramming ? A temporary budget change to reallocate funds within an agency's budget to meet a purpose other than that originally approved.

Rescission ? A legislative cancellation of budget authority previously approved by the Council and the Congress.

Responsibility Center ? A component of a control center, the lowest organizational level shown in the annual budget request.

Revenue Bonds ? Bonds whose principal and interest are payable exclusively from the earnings of an enterprise fund.

Reorganization – Refers to changes in the budget and reporting structures within agencies.

Revenue Category ? General types of revenue, such as taxes.

Revenues – The annual income or receipts of the District from taxes, charges, grants, and investments.

Revenue Class ? Specific revenues, such as real property taxes.

Standard Industrial Classification (SIC) code ? Original set of categories for public, non-profit, and public sector organizations used by government manufacturing and the financial industry as a basis of classifying organizations. SIC codes are being replaced by NAICS due to the North American Free Trade Agreement (NAFTA) between the US, Canada, and Mexico.

Special Revenue – Funds used to account for proceeds for specific revenue sources (other than expendable trusts, special assessments, or major capital projects) that are legally restricted to expenditures for specified purposes.

Structural Balance ? The degree to which revenues match expenditures over time.

Subsidies and Transfers ? The name of the object class used to allocate funds for a variety of public welfare and support costs and to transfer funds to other organizations, such as the Washington Metropolitan Area Transit Authority, providing services to District residents.

Supplies ? The names of the budgetary object class used to allocate funds for consumable materials.

System of Accounting and Reporting (SOAR) Acronym for the financial management system used by the District.

Total Full- Time Equivalent (FTE) Employment ? A measure of employment that reflects all full-time and part-time staff resources in terms of standard work hours, based on a work year of 2,080 hours.

Trust and Agency Funds – Funds used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Glossary of Budget Terms

Transfers ? Budget changes reallocating funds or positions between agencies or funds.

Unfunded Liabilities ? Potential or actual debts for which no current funding is available.

WAE ? The abbreviation for when actually employed, referring to part-time staff paid on an hourly basis.

Within-Grade (Step) Increase ? A salary increase awarded to an employee based on longevity of service and acceptable performance